

JOHNSON COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2011

JOHNSON COUNTY, IOWA

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JOHNSON COUNTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sally Stutsman	Board of Supervisors	December 2014
Janelle Rettig	Board of Supervisors	December 2014
Rod Sullivan	Board of Supervisors	December 2012
Pat Harney	Board of Supervisors	December 2012
Terrence Neuzil	Board of Supervisors	December 2012
Tom Slockett	County Auditor	December 2012
Tom Kriz	County Treasurer	December 2014
Kim Painter	County Recorder	December 2014
Lonny Pulkrabek	County Sheriff	December 2012
Janet Lyness	County Attorney	December 2014
Bill Greazel	County Assessor	Appointed
Dennis Baldridge	City Assessor	Appointed



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Grosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Officials of Johnson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Johnson County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Johnson County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Johnson County, Iowa at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2012 on our consideration of Johnson County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 9 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Johnson County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two year's ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2008 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa

June 20, 2012 15 West Fourth Street • P.O. Box 533 • Ottumwa, Iowa 52501 • (641) 684-5489 • Fax (641) 683-1665

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Johnson County, Iowa

Management's Discussion and Analysis (MD&A)

June 30, 2011

Johnson County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- ❑ Total net assets were \$82,948,651 at June 30, 2011. This was an increase of \$7,014,917 (9.2%) compared to the prior fiscal year.
- ❑ Overall revenues of governmental activities decreased 4.1% or \$3,059,925 from fiscal year 2010. Property and other county tax increased \$1,727,074, operating grants, contributions and restricted interest decreased \$3,078,763, charges for services decreased \$35,357, unrestricted investment earnings decreased \$128,869 and capital grants, contributions and restricted interest decreased \$1,198,558.
- ❑ Program expenses decreased 6.5% overall, or \$4,543,086 from fiscal year 2010. Public safety and legal services decreased \$5,756,081, physical health and social services decreased \$230,760, mental health expenses increased \$1,365,137, county environment and education expenses increased \$311,564, roads and transportation expenses decreased \$245,710, governmental services to residents decreased \$163,989, administration expense increased \$291,300, non-program expenses increased \$4,422 and interest expense on the County's long-term debt decreased by \$118,969.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and other information as follows:

- ❑ **Management's Discussion and Analysis** - Introduces the basic financial statements and provides an analytical overview of the County's activities.
- ❑ **Government-wide Financial Statements** - Comprise the first two statements, providing both short-term and long-term information about Johnson County's overall financial position.
- ❑ **Fund Financial Statements** - Focus on reporting how government services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail by providing information about the most significant funds. The remaining statements provide financial information for activities which Johnson County acts solely as an agent or custodian for the benefit of those outside of county government (agency funds).
- ❑ **Notes to Financial Statements** - provides additional information essential to a full understanding of the data provided in the basic financial statements.
- ❑ **Required Supplementary Information** - further explains and supports the financial statements with a comparison of the County's budget for the year and details of the County's funding progress of the retiree health plan.
- ❑ **Other Supplementary Information** - provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various Federal programs benefitting the County.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements (Statement of Net Assets and the Statement of Activities) report the County's net assets and how they have changed. Net assets, the difference between assets and liabilities, is one way to measure the County's financial health.

- ❑ Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in population, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the County include governmental activities such as public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long term debt, and non-program activities. Most of the County's basic services are included here, such as the Sheriff, County Attorney, Recorder, Treasurer, Auditor, Board of Supervisors, Ambulance, Public Health, Medical Examiner, Paratransit Services (SEATS), Planning & Zoning, Conservation, Human Services, Veteran Affairs, Juvenile Court Services, Mental Health/ Developmental Disabilities, Rural Funding to Libraries, Secondary Roads, and Court Services. Property Taxes and state and federal grants fund most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Board of Supervisors establishes other funds to control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain revenues. The County has three kinds of funds:

- ❑ Governmental funds – Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future use. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental fund statements that explains the relationship (or differences) between them. Funds included are the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds (Rural Services, Mental Health Fund, Secondary Roads Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures, and changes in fund balances.
- ❑ Fiduciary funds – the County is the trustee, or fiduciary, for assets that belong to others. Fiduciary funds for Johnson County include the E-911 Fund, the Empowerment Fund, The Iowa City & Johnson County Assessor Funds & Special Appraisal Funds, the Emergency Management Fund, and the Abandoned Storage Fund. The County is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County-wide financial statements because the County cannot use the assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.
- ❑ Proprietary funds – The County has an internal service fund set up for the administration of its self-funded employee health insurance plans. Funds are paid into the health insurance fund from other county funds for payment of premiums, claims and administration costs. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The required statements include a statement of net assets, a statement of revenue, expenses, and changes in fund net assets, and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

FINANCIAL ANALYSIS OF JOHNSON COUNTY -- Net Assets

The County's combined net assets increased from \$75,933,734 to \$82,948,651. See Table 1. Analysis will focus on changes in net assets for governmental activities.

Table 1:

Net Assets

	Governmental Activities		Total Percentage
	2011	2010	Change 2011-2010
Assets			
Current Assets	\$ 73,862,400	\$ 71,919,549	2.7%
Capital Assets, Net of Accumulated Depreciation	<u>82,825,796</u>	<u>75,609,229</u>	9.5
TOTAL ASSETS	156,688,196	147,528,778	6.3
Liabilities			
Current Liabilities	51,486,832	48,736,892	5.6
Long Term Liabilities	<u>22,252,713</u>	<u>22,858,152</u>	(2.7)
TOTAL LIABILITIES	73,739,545	71,595,044	3.0
Net Assets			
Invested in Capital Assets, Net of Related Debt	64,703,796	56,404,229	14.7
Restricted	13,075,522	14,468,481	(9.6)
Unrestricted	<u>5,169,333</u>	<u>5,061,024</u>	2.1
TOTAL NET ASSETS	\$ <u>82,948,651</u>	\$ <u>75,933,734</u>	9.2

Changes in Net Assets

The total net assets of governmental activities increased by 9.2% compared to fiscal year 2010. The decrease in long-term liabilities and restricted net assets reflects the use of available cash to lower the amount of debt owed by the County. The largest portion of the County's net assets are invested in capital assets (land, buildings, equipment), net of related debt. The debt related to investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets increased from \$5,061,024 in fiscal year 2010 to \$5,169,333 in fiscal year 2011, an increase of 2.1%.

Table 2:

Changes in Net Assets

	Governmental Activities		Total Percentage
	2011	2010	Change 2011-2010
Revenues			
Program Revenues			
Charges for Services	\$ 5,890,692	\$ 5,926,049	(0.6)%
Operating Grants, Contributions and Restricted Interest	15,770,350	18,849,113	(16.3)
Capital Grants, Contributions and Restricted Interest	6,656,717	7,855,275	(15.3)
Property and other taxes levied for:			
General Purpose	38,333,039	36,178,334	6.0
Debt Service	3,544,134	3,969,377	(10.7)
Other County Taxes	925,093	927,481	(0.3)
Penalties and Interest on Taxes	394,528	486,976	(19.0)
State tax credits	712,382	747,147	(4.7)
Unrestricted investment earnings	306,885	435,754	(29.6)
Loss on disposal of capital assets	(183,591)	(11,036)	(1563.6)
Miscellaneous	104,896	150,580	(30.3)
TOTAL REVENUES	72,455,125	75,515,050	(4.1)
Expenditures			
Public Safety and Legal Services	20,543,834	26,299,915	(21.9)
Physical Health and Social Services	8,269,892	8,500,652	(2.7)
Mental Health, MR & DD	12,768,105	11,402,968	12.0
County Environment and Education	3,394,472	3,082,908	10.1
Roads & Transportation	10,407,294	10,653,004	(2.3)
Governmental Services to Residents	1,964,072	2,128,061	(7.7)
Administration	7,454,214	7,162,914	4.1
Nonprogram	7,267	2,845	155.4
Interest on long-term debt	631,058	750,027	(15.9)
TOTAL EXPENDITURES	65,440,208	69,983,294	(6.5)
INCREASE IN NET ASSETS	7,014,917	5,531,756	26.8
Beginning, as restated	75,933,734	70,401,978	7.9
Ending	\$ 82,948,651	\$ 75,933,734	9.2

The County increased property taxes levied for 2011 by 4.0%. This increase raised the County's property tax revenue by approximately \$1.73 million. Based on increases in the tax levies and total assessed valuation, property tax revenue is budgeted to increase by an additional \$0.19 million for fiscal year 2012.

The cost of all government services this year was \$65,440,208 compared to \$69,983,294 last year. The amount financed by taxpayers was \$37,122,449 (See Statement of Activities). Some of the cost was paid for by those who benefited from programs or other government grants and contributions. The County's program revenues decreased from \$32,630,437 to \$28,317,759 due to decreases in capital grants, contributions and restricted interest, and operating grants, contributions and restricted interest and charges for services in 2011.

MAJOR FUND ANALYSIS

Governmental funds reported a combined fund balance of \$19,058,868, a decrease of \$1,488,854 compared to the prior year.

- General Fund revenues had a modest increase of \$70,990 due largely to a simultaneous increase of property tax revenue of \$1,354,744 and a decrease in intergovernmental revenue of \$1,195,288. Property tax revenue was also offset by a decrease in use of money and property of \$91,600. Total General Fund expenditures decreased \$5,786,055 due largely to a decrease in public safety and legal services of \$5,569,552.
- Rural Service Fund revenues increased by \$828,367, as a result of an increase in property tax revenue of \$814,559. Expenditures decreased \$57,388 compared to the prior year. The ending fund balance showed an increase of \$32,187 from the prior year to \$94,551.
- Secondary Roads Fund revenues decreased by \$232,517 compared to the prior year. Expenditures increased in the Secondary Roads Fund by \$193,185. Capital project expenditures of the Secondary Roads fund increased by \$109,779 when compared to the prior year.
- Mental Health Fund revenues decreased by \$2,208,320 from the prior year, due largely to a decrease in intergovernmental revenue of \$2,266,799. Expenditures increased by \$1,368,793 compared to the prior year entirely due to an increase in mental health expenses. The Mental Health fund balance decreased \$3,614,802 in 2011.
- Capital Projects Fund revenues and cash transfers in increased by \$4,931,007 and expenditures and cash transfers out decreased by \$476,671. During the year the fund balance increased from \$2,801,677 to \$4,613,319, an increase of \$1,811,642 for the year. The revenues and expenditures of this class of fund varies depending on the timing of projects.

General Fund Budgetary Highlights

Johnson County amended the budget two times during the fiscal year. The first amendment occurred in November 2010 and was necessary due to a bond payout, conservation project expenditures, and capital projects expenses during the fiscal year. The second amendment occurred in May 2011 due to debt service expenditures, secondary roads projects, and public health programming changes.

Amendment and other budgetary information is available in the County Auditor's Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For fiscal year 2011 the County had a net increase of \$7,216,567 in a broad range of capital assets, including land, construction in progress, equipment and vehicles and infrastructure. Significant expenditures were related to Secondary Roads Farm to Market road improvement projects, Administration Building parking lot and window replacements, and Courthouse renovations. See Table 3. More detailed information about the County's capital assets is presented in the notes to the financial statements.

Table 3
Capital Assets

	Value of Capital Assets		Total Percentage
	2011	2010	Change 2011-2010
Non-Depreciated			
Land	\$ 12,187,273	\$ 9,069,933	34.4%
Construction in Progress	<u>26,383,357</u>	<u>28,216,391</u>	(6.5)
Total Not Being Depreciated	38,570,630	37,286,323	3.4
Depreciable			
Buildings & Improvements	22,177,093	15,043,550	47.4
Machinery and Equipment	14,206,099	13,868,340	2.4
Infrastructure	<u>55,766,585</u>	<u>54,380,495</u>	2.6
Total Depreciable Assets	92,149,777	83,292,385	10.6
Total Accumulated Depreciation	<u>47,894,611</u>	<u>44,969,479</u>	6.5
NET CAPITAL ASSETS	\$ <u>82,825,796</u>	\$ <u>75,609,229</u>	9.5

The County had depreciation expense of \$3,578,249 in fiscal year 2011 and total accumulated depreciation of \$47,894,611 on June 30, 2011.

The County's fiscal year 2012 budget projects spending of \$10,268,455 for capital projects, primarily for an ambulance satellite facility, courthouse renovations, land acquisition for a potential justice center, trail construction, Sutliff Bridge replacement, Secondary Roads planned road projects, and technology and equipment replacements. The County annually completes a Five Year Road Plan and Capital Improvement Plan (CIP). Both can be viewed by contacting management or are available on the County's web site www.johnson-county.com.

Long-Term Liabilities

At year end, the County had \$22,252,713 in long-term liabilities, consisting of general obligation capital notes, compensated absences and net OPEB liability (Table 4). The County issued \$6,285,000 and retired \$7,368,000 in general obligation capital loan notes during the 2011 fiscal year. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Table 4

Long-Term Liabilities

	Total Year End Fiscal Year 2011		Total Percentage
	Long-Term Liabilities		Change
	2011	2010	2011-2010
General Obligation Capital Notes	\$ 18,122,000	\$ 19,205,000	(5.6)%
Compensated Absences	2,770,641	2,587,084	7.1
Net OPEB Liability	<u>1,360,072</u>	<u>1,066,068</u>	27.6
TOTAL LONG TERM LIABILITIES	\$ <u>22,252,713</u>	\$ <u>22,858,152</u>	(2.7)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the County was aware of several circumstances that could affect its future financial health:

- ❑ Real estate valuations continue to be strong in Johnson County. The budget remains streamlined but still able to accomplish capital projects and other county goals.
- ❑ Johnson County continues to enjoy a strong economy. Johnson County's unemployment rate of 3.6% is the fifth lowest in the State of Iowa.
- ❑ Johnson County's population grew from 111,000 residents in 2000 to 130,882 in 2010. The current estimated population is 131,167.
- ❑ Johnson County intends to hold a special election in conjunction with the November 6, 2012 general election, for voters to consider the issuance of \$46.8 million in general obligation bonds for the construction of a Johnson County Justice Center, which has an estimated total cost of \$48.1 million.
- ❑ Reorganization of Mental Health and Disability Services financing by the State of Iowa could significantly impact the amount Johnson County levies for that purpose beginning in FY14.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact

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JOHNSON COUNTY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2011

Governmental
Activities

ASSETS:

Cash and pooled investments	\$ 27,197,955
Receivables:	
Property tax:	
Delinquent	112,441
Succeeding year	43,638,105
Accounts	928,875
Interest	1,836
Due from other governments	1,224,541
Inventories	229,018
Prepaid expenses	529,629
Land and construction in progress	38,570,630
Other capital assets (net of accumulated depreciation)	<u>44,255,166</u>
Total assets	<u>156,688,196</u>

LIABILITIES:

Accounts payable	2,736,424
Accrued interest payable	36,813
Salaries and benefits payable	1,397,892
Due to other governments	3,053,094
Contracts payable	390,095
Deferred revenue:	
Succeeding year property tax	43,638,105
Other	234,409
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	3,386,000
Compensated absences	2,770,641
Portion due or payable after one year:	
General obligation bonds	14,736,000
Net OPEB liability	<u>1,360,072</u>
Total liabilities	<u>73,739,545</u>

NET ASSETS:

Invested in capital assets, net of related debt	64,703,796
Restricted for:	
Rural services purposes	94,551
Supplemental levy	1,261,820
Secondary roads	2,589,676
Capital projects	4,613,319
Debt Service	75,127
Other purposes	4,441,029
Unrestricted	<u>5,169,333</u>
Total net assets	\$ <u>82,948,651</u>

JOHNSON COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

			Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Charges for Service			
<u>FUNCTIONS/PROGRAMS:</u>					
Governmental activities:					
Public safety and legal services	\$ 20,543,834	\$ 2,642,627	\$ 1,221,345	\$ 24	\$ (16,679,838)
Physical health and social services	8,269,892	379,857	3,356,517	17,740	(4,515,778)
Mental health	12,768,105	25,045	5,940,379	-	(6,802,681)
County environment and education	3,394,472	322,500	523,184	-	(2,548,788)
Roads and transportation	10,407,294	58,923	4,599,932	3,348,989	(2,399,450)
Governmental services to residents	1,964,072	1,905,298	53,979	-	(4,795)
Administration	7,454,214	556,442	75,014	3,289,964	(3,532,794)
Non-program	7,267	-	-	-	(7,267)
Interest on long-term debt	631,058	-	-	-	(631,058)
Total	\$ 65,440,208	\$ 5,890,692	\$ 15,770,350	\$ 6,656,717	(37,122,449)
<u>GENERAL REVENUES:</u>					
Property and other County tax levied for:					
General purposes					38,333,039
Debt service					3,544,134
Other County taxes					925,093
Penalty and interest on property tax					394,528
State tax credits					712,382
Unrestricted investment earnings					306,885
Loss on disposal of capital assets					(183,591)
Miscellaneous					104,896
Total general revenues					44,137,366
CHANGE IN NET ASSETS					7,014,917
NET ASSETS - Beginning of year, as restated					75,933,734
NET ASSETS - End of year					\$ 82,948,651

JOHNSON COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		
		<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Cash and pooled investments	\$ 8,303,651	\$ 89,455	\$ 2,508,916	\$ 2,904,377
Receivables:				
Property tax:				
Delinquent	92,752	11,300	-	3,850
Succeeding year	33,588,380	3,927,572	-	3,093,826
Accounts	897,011	-	1,144	2,562
Interest	-	-	-	-
Due from other governments	626,203	-	344,870	253,468
Inventories	-	-	229,018	-
Prepaid expenses	365,387	6,900	1,372	-
TOTAL ASSETS	\$ 43,873,384	\$ 4,035,227	\$ 3,085,320	\$ 6,258,083
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 688,222	\$ -	\$ 219,420	\$ 368,863
Salaries and benefits payable	1,104,879	-	169,221	123,792
Contracts payable	-	-	106,226	-
Due to other governments	194,387	3,244	652	2,854,811
Deferred revenue:				
Succeeding year property tax	33,588,380	3,927,572	-	3,093,826
Other	863,890	9,860	125	5,251
Total liabilities	<u>36,439,758</u>	<u>3,940,676</u>	<u>495,644</u>	<u>6,446,543</u>
 <u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	229,018	-
Prepaid expenditures	365,387	6,900	1,372	-
Restricted for:				
Supplementary levy purposes	1,261,820	-	-	-
Rural services purposes	-	87,651	-	-
Secondary roads purposes	-	-	2,359,286	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Committed	-	-	-	-
Unassigned	5,806,419	-	-	(188,460)
Total fund balances	<u>7,433,626</u>	<u>94,551</u>	<u>2,589,676</u>	<u>(188,460)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 43,873,384	\$ 4,035,227	\$ 3,085,320	\$ 6,258,083

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 5,441,069	\$ 4,600,117	\$ 23,847,585
-	4,539	112,441
-	3,028,327	43,638,105
-	1,397	902,114
-	1,836	1,836
-	-	1,224,541
-	-	229,018
<u>155,970</u>	<u>-</u>	<u>529,629</u>
\$ <u>5,597,039</u>	\$ <u>7,636,216</u>	\$ <u>70,485,269</u>
\$ 569,921	\$ 21,934	\$ 1,868,360
-	-	1,397,892
283,869	-	390,095
-	-	3,053,094
-	3,028,327	43,638,105
<u>129,930</u>	<u>69,799</u>	<u>1,078,855</u>
<u>983,720</u>	<u>3,120,060</u>	<u>51,426,401</u>
-	-	229,018
155,970	-	529,629
-	-	1,261,820
-	-	87,651
-	-	2,359,286
-	75,127	75,127
829,325	-	829,325
-	1,060,766	1,060,766
3,628,024	3,380,263	7,008,287
-	-	5,617,959
<u>4,613,319</u>	<u>4,516,156</u>	<u>19,058,868</u>
\$ <u>5,597,039</u>	\$ <u>7,636,216</u>	\$ <u>70,485,269</u>

JOHNSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES \$ 19,058,868

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$130,720,407 and the accumulated depreciation is \$47,894,611.

Land	\$	12,187,273	
Construction in progress		26,383,357	
Infrastructure		28,688,140	
Buildings and improvements		12,121,077	
Machinery and equipment		<u>3,445,949</u>	
Total capital assets, net			82,825,796

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 844,446

The Internal Service Fund is used by the County to charge the costs of partial self-funding of the County's health insurance benefit plan to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,509,067

Long-term liabilities, including bonds payable, accrued interest payable, compensated absences payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds payable	\$	(18,122,000)	
Accrued interest payable on bonds		(36,813)	
Compensated absences		(2,770,641)	
Net OPEB liability		<u>(1,360,072)</u>	
Total long-term liabilities			<u>(22,289,526)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 82,948,651

JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

		<u>Special Revenue</u>		
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 32,370,734	\$ 3,780,854	\$ -	\$ 3,042,940
Interest and penalty on property tax	395,959	-	-	-
Intergovernmental	6,169,602	86,757	4,805,027	5,988,532
Licenses and permits	505,578	-	-	-
Charges for service	3,753,176	-	-	-
Use of money and property	261,185	-	9,053	-
Miscellaneous	566,104	-	59,081	93,039
Total revenues	<u>44,022,338</u>	<u>3,867,611</u>	<u>4,873,161</u>	<u>9,124,511</u>
<u>EXPENDITURES:</u>				
Current:				
Public safety and legal services	19,696,176	-	-	-
Physical health and social services	8,121,773	-	-	-
Mental health	-	-	-	12,743,965
County environment and education	2,503,513	726,571	-	-
Roads and transportation	-	-	7,212,691	-
Governmental services to residents	1,892,552	-	-	-
Administration	6,564,119	-	-	-
Non-program	5,400	-	-	-
Debt service:				
Principal	320,000	-	-	-
Interest	114,033	-	-	-
Capital projects	-	-	1,484,054	-
Total expenditures	<u>39,217,566</u>	<u>726,571</u>	<u>8,696,745</u>	<u>12,743,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,804,772</u>	<u>3,141,040</u>	<u>(3,823,584)</u>	<u>(3,619,454)</u>
Other financial sources (uses):				
Proceeds from general long-term debt	5,285,000	-	-	-
Sale of capital assets	13,160	-	-	4,652
Transfers in	-	-	4,023,011	-
Transfers out	<u>(10,074,880)</u>	<u>(3,108,853)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,776,720)</u>	<u>(3,108,853)</u>	<u>4,023,011</u>	<u>4,652</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	28,052	32,187	199,427	(3,614,802)
<u>FUND BALANCES - Beginning of year</u>	<u>7,405,574</u>	<u>62,364</u>	<u>2,390,249</u>	<u>3,426,342</u>
<u>FUND BALANCES - End of year</u>	\$ <u>7,433,626</u>	\$ <u>94,551</u>	\$ <u>2,589,676</u>	\$ <u>(188,460)</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 3,612,578	\$ 42,807,106
-	-	395,959
3,289,964	593,704	20,933,586
-	-	505,578
-	31,826	3,785,002
14,826	49,365	334,429
40,685	18,291	777,200
<u>3,345,475</u>	<u>4,305,764</u>	<u>69,538,860</u>
-	41,236	19,737,412
-	-	8,121,773
-	-	12,743,965
-	-	3,230,084
-	-	7,212,691
-	-	1,892,552
-	-	6,564,119
-	-	5,400
-	7,048,000	7,368,000
-	525,693	639,726
8,177,412	153,338	9,814,804
<u>8,177,412</u>	<u>7,768,267</u>	<u>77,330,526</u>
<u>(4,831,937)</u>	<u>(3,462,503)</u>	<u>(7,791,666)</u>
1,000,000	-	6,285,000
-	-	17,812
5,643,579	3,517,143	13,183,733
-	-	(13,183,733)
<u>6,643,579</u>	<u>3,517,143</u>	<u>6,302,812</u>
1,811,642	54,640	(1,488,854)
<u>2,801,677</u>	<u>4,461,516</u>	<u>20,547,722</u>
\$ <u>4,613,319</u>	\$ <u>4,516,156</u>	\$ <u>19,058,868</u>

JOHNSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,488,854)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense and loss on disposal of capital assets in the current year as follows:

Expenditures for capital assets	\$ 7,839,468	
Capital grants for capital assets	3,156,751	
Depreciation expense	(3,578,249)	
Loss on disposal of capital assets	<u>(201,403)</u>	
		7,216,567

Proceeds from long-term debt provides current financial resources to governmental funds, and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Debt Issued	(6,285,000)	
Repayments	<u>7,368,000</u>	
		1,083,000

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred or not recorded in the governmental funds. (56,895)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Change in accrued compensated absences	\$ (183,557)	
Change in accrued interest on debt	8,668	
Change in net OPEB liability	<u>(294,004)</u>	
		(468,893)

The Internal Service Fund is used by the County to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

729,992

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 7,014,917

JOHNSON COUNTY, IOWASTATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011Internal Service -
Johnson County
Employee HealthASSETS:

Cash and pooled investments	\$ 3,350,370
Receivables:	
Accounts	<u>26,761</u>
Total assets	<u>3,377,131</u>

LIABILITIES:

Accounts payable	127,348
Claims payable	<u>740,716</u>
Total liabilities	<u>868,064</u>

NET ASSETS:

Unrestricted	\$ <u>2,509,067</u>
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JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Internal Service -
 Johnson County
Employee Health

OPERATING REVENUES:

Reimbursements from operating funds	\$ 5,214,113
Health fees - Employees	<u>650,003</u>
 Total operating revenues	 <u>5,864,116</u>

OPERATING EXPENSES:

Medical claims	4,288,717
Accounting, auditing and clerical	859,927
Miscellaneous	<u>115</u>
 Total operating expenses	 <u>5,148,759</u>

Operating income	715,357
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NON-OPERATING REVENUES:

Interest on investments	<u>14,635</u>
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Net income	729,992
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<u>NET ASSETS</u> - Beginning of year	<u>1,779,075</u>
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<u>NET ASSETS</u> - End of year	\$ <u>2,509,067</u>
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JOHNSON COUNTY, IOWA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

Internal Service -
 Johnson County
Employee Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements	\$ 5,214,113
Cash received from employees and others	677,331
Cash paid for administrative fees	(862,988)
Cash paid for medical claims and insurance premiums	<u>(4,404,240)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 624,216

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>14,635</u>
-------------------------	---------------

NET INCREASE IN CASH AND CASH EQUIVALENTS 638,851

CASH AND CASH EQUIVALENTS - Beginning of year 2,711,519

CASH AND CASH EQUIVALENTS - End of year \$ 3,350,370

RECONCILIATION OF OPERATING INCOME TO NETCASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 715,357
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	27,328
Decrease in accounts payable	<u>(118,469)</u>

Net cash provided by operating activities \$ 624,216

JOHNSON COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUNDSJUNE 30, 2011ASSETS

Cash and pooled investments:		
County Treasurer	\$	6,026,371
Other County officials		375,518
Receivables:		
Accounts receivable		88,296
Property tax:		
Delinquent		191,323
Succeeding year		214,212,159
Due from other governments		20,893
Prepaid expenses		10,069
	TOTAL ASSETS	<u>220,924,629</u>

LIABILITIES

Accounts payable	321,107
Salaries and benefits payable	66,143
Compensated absences	124,669
Due to other governments	220,182,953
Trusts payable	229,757
	<u>220,924,629</u>
TOTAL LIABILITIES	<u>220,924,629</u>

NET ASSETS \$ -

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Johnson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Johnson County Assessor's Conference Board, Iowa City Assessor's Conference Board, County Emergency Management Commission, Johnson County Joint E911 Service Board, and Johnson County Council of Governments. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County, except for the Johnson County Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

JOHNSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses – Prepaid expenses represent certain payments to vendors that reflect costs applicable to future accounting periods.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	5,000
Other capital assets	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	15-40
Improvements	10-40
Infrastructure	20-65
Intangibles	2-30
Equipment	2-30

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receipts that do not meet income recognition criteria.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Johnson County Employee Health Fund are designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County held no investments as of June 30, 2011.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit Risk – The County's investment policy limits investment in commercial paper and other corporate debt to the top two highest classifications. The County did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk – The County's investment policy does not allow for a prime bankers acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The County held no such investments during the year.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County did not hold any such investment during the year.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	\$ 4,023,011		
Capital Projects	5,643,579		
Debt Service	3,431,836	General Fund	\$ 10,074,880
Conservation Trust	<u>85,307</u>	Rural Services	<u>3,108,853</u>
	\$ <u>13,183,733</u>		\$ <u>13,183,733</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance Beginning of Year, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,069,933	\$ 3,117,340	\$ -	\$ 12,187,273
Construction in progress	<u>28,216,390</u>	<u>6,551,976</u>	<u>8,385,009</u>	<u>26,383,357</u>
Total capital assets not being depreciated	<u>37,286,323</u>	<u>9,669,316</u>	<u>8,385,009</u>	<u>38,570,630</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	15,043,550	7,336,398	202,855	22,177,093
Machinery and equipment	13,868,340	989,424	651,665	14,206,099
Infrastructure	<u>54,380,495</u>	<u>1,386,090</u>	<u>-</u>	<u>55,766,585</u>
Total capital assets being depreciated/amortized	<u>83,292,385</u>	<u>9,711,912</u>	<u>854,520</u>	<u>92,149,777</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	9,622,401	484,239	50,624	10,056,016
Machinery and equipment	10,188,983	1,173,660	602,493	10,760,150
Infrastructure	<u>25,158,095</u>	<u>1,920,350</u>	<u>-</u>	<u>27,078,445</u>
Total accumulated depreciation/amortization	<u>44,969,479</u>	<u>3,578,249</u>	<u>653,117</u>	<u>47,894,611</u>
Total capital assets being depreciated/amortized, net	<u>38,322,906</u>	<u>6,133,663</u>	<u>201,403</u>	<u>44,255,166</u>
Governmental activities capital assets, net	\$ <u>75,609,229</u>	\$ <u>15,802,979</u>	\$ <u>8,586,412</u>	\$ <u>82,825,796</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 509,068
Physical health and social services	77,970
Mental health	10,782
County environment and education	140,078
Roads and transportation	2,563,507
Governmental services to residents	20,883
Administration	254,094
Non-Program	<u>1,867</u>
Total depreciation/amortization expense-governmental activities	\$ <u>3,578,249</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 194,387
Special Revenue:		
Rural Services	Services	3,244
Secondary Roads		652
Mental Health		<u>2,854,811</u>
Total for governmental funds		\$ <u>3,053,094</u>
Agency:		
County Assessor	Collections	\$ 1,761,680
City Assessor		995,629
Emergency Management		144,250
Schools		134,727,803
Community Colleges		5,709,935
Corporations		72,153,500
Townships		799,260
E911 Surcharge		425,553
Auto License and Use Tax		2,383,234
Other		<u>1,082,109</u>
Total for agency funds		\$ <u>220,182,953</u>

NOTE 6: LONG-TERM LIABILITIES

The County issues general obligation bonds to provide funds for the acquisition, improvement, and construction of major capital facilities and for the purchase of technology and related equipment. General obligation bonds have been issued for these types of governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are generally issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2011, are as follows:

General Obligation Bonds

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
County improvements	06/2008	06/2009 - 06/2012	2.15% - 2.95%	\$ 5,015,000	\$ 500,000
County improvements	03/2009	06/2010 - 06/2020	2.00% - 3.85%	4,100,000	3,495,000
County Improvements	03/2009	06/2010 - 06/2021	3.00% - 4.00%	11,000,000	9,635,000
County Improvements	03/2009	06/2010 - 06/2016	3.00% - 3.50%	2,200,000	1,635,000
County Improvements	03/2011	04/2011 - 06/2016	0.75% - 2.09%	<u>6,285,000</u>	<u>2,857,000</u>
				\$ <u>28,600,000</u>	\$ <u>18,122,000</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2011 general obligation bonded indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,386,000	\$ 546,683	\$ 3,932,683
2013	2,396,000	480,408	2,876,408
2014	1,695,000	427,262	2,122,262
2015	1,765,000	380,620	2,145,620
2016	1,840,000	327,565	2,167,565
2017-2021	7,040,000	811,898	7,851,898
Total	\$ <u>18,122,000</u>	\$ <u>2,974,436</u>	\$ <u>21,096,436</u>

During the year ended June 30, 2011, the County issued \$6,285,000 and retired \$7,368,000 of bonds.

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>General Obligation Capital Notes</u>	<u>Net OPEB Liability</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 19,205,000	\$ 1,066,068	\$ 2,587,084	\$ 22,858,152
Increases	6,285,000	294,004	2,770,641	9,349,645
Decreases	<u>7,368,000</u>	<u>-</u>	<u>2,587,084</u>	<u>9,955,084</u>
Balance end of year	\$ <u>18,122,000</u>	\$ <u>1,360,072</u>	\$ <u>2,770,641</u>	\$ <u>22,252,713</u>
Due within one year	\$ <u>3,386,000</u>	\$ <u>-</u>	\$ <u>2,770,641</u>	\$ <u>6,156,641</u>

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$1,780,910, \$1,615,053, and \$1,534,007, respectively, equal to the required contributions for each year.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8: RISK MANAGEMENT

Johnson County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$431,138.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. Health benefits were self-insured up to a specific stop loss limitation of \$50,000 and an aggregate annual stop-loss amount of approximately \$6,078,015 for 2011. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$5,214,113.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$740,716 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$2,509,067 at June 30, 2011 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 735,581
Incurred claims (including claims incurred but not reported at June 30, 2011):	
Current-year events	4,288,717
Payments:	
Current-year events	<u>(4,283,582)</u>
Unpaid claims end of year	\$ <u>740,716</u>

NOTE 10: CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2011, there were three issues of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$3,572,134.

NOTE 11: CONSTRUCTION COMMITMENTS

The County has entered into thirteen contracts totaling \$25,886,035 for building and road construction projects. As of June 30, 2011, costs of \$24,423,202 on the projects have been incurred. The balance remaining on the projects at June 30, 2011, \$1,462,833 will be paid as work on the projects progress.

NOTE 12: LITIGATION

The County Attorney reported that as of June 30, 2011, various claims and lawsuits were on file against the County. The probability of loss, if any, is undeterminable.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13: PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued a statement not yet implemented by Johnson County, Iowa. The statement, which might impact future Johnson County, Iowa, financial statements is as follows:

Statement No. 65 Items Previously Reported as Assets and Liabilities issued March 2012, will be effective for the fiscal year ending June 30, 2013. The objective of the Statement is to clarify deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The County's management has not yet determined the effect this statement will have on the County's financial statements.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 427 active and 49 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, are provided through a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 457,910
Interest on net OPEB obligation	47,973
Adjustment to annual required contribution	<u>(65,447)</u>
Annual OPEB cost	440,436
Contributions made	<u>(146,432)</u>
Increase in net OPEB obligation	294,004
Net OPEB obligation beginning of year	<u>1,066,068</u>
Net OPEB obligation end of year	\$ <u>1,360,072</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, retired members contributed \$146,432 or 100% of premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 757,547	28.04 %	\$ 545,116
June 30, 2010	763,894	31.80	1,066,068
June 30, 2011	440,436	33.25	1,360,072

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$4,216,188, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,216,188. The covered payroll (annual payroll of active employees covered by the plan) was \$21,084,632 and the ratio of the UAAL to covered payroll was 20.00%. As of June 30, 2011, there were no trust assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook and applying the termination factors used in Scale T-7.

Projected claim costs of the medical plan are \$429 per month for retirees and \$1,190 per month for retirees electing family coverage. The salary increase rate was assumed to be 3.25% per year. The UAAL is being amortized as a level dollar percentage of projected payroll expense on an open basis over 30 years.

NOTE 15: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2011, it was determined that some of the current year additions to construction in progress, infrastructure, and accumulated depreciation had not been properly recorded for the year ended June 30, 2010.

Government Wide net assets June 30, 2010, as previously reported	\$ 76,026,897
Adjustments to land and construction in progress	(130,677)
Adjustments to other capital assets (net of accumulated depreciation)	37,514
Government Wide net assets June 30, 2010, as restated	\$ <u>75,933,734</u>

NOTE 16: DEFICIT FUND BALANCE

The Mental Health Fund had a deficit fund balance of \$188,460 at June 30, 2011.

NOTE 17: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 20, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

JOHNSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 42,806,190	\$ 42,763,605	\$ 42,763,605	\$ 42,585
Interest and penalty on property tax	495,778	-	-	495,778
Intergovernmental	21,382,141	19,553,950	23,195,283	(1,813,142)
Licenses and permits	512,172	477,175	477,175	34,997
Charges for service	3,805,479	3,321,275	3,326,100	479,379
Use of money and property	335,576	424,060	424,060	(88,484)
Miscellaneous	748,919	2,277,603	2,491,710	(1,742,791)
Total receipts	<u>70,086,255</u>	<u>68,817,668</u>	<u>72,677,933</u>	<u>(2,591,678)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	19,871,195	20,189,127	20,986,224	1,115,029
Physical health and social services	8,205,473	8,594,931	8,804,652	599,179
Mental health	11,363,511	13,266,037	13,273,359	1,909,848
County environment and education	3,187,060	3,250,069	3,264,285	77,225
Roads and transportation	7,423,009	6,939,002	7,489,415	66,406
Governmental services to residents	1,888,060	2,152,447	2,152,447	264,387
Administration	6,510,655	6,749,906	6,800,612	289,957
Non-program	2,560	3,000	3,000	440
Debt service	8,007,726	4,599,650	8,599,650	591,924
Capital projects	9,319,325	6,809,169	10,623,779	1,304,454
Total disbursements	<u>75,778,574</u>	<u>72,553,338</u>	<u>81,997,423</u>	<u>6,218,849</u>
Excess(deficiency) of receipts over(under) disbursements	(5,692,319)	(3,735,670)	(9,319,490)	3,627,171
Other financing sources				
Proceeds from long-term debt	6,285,000	3,764,732	3,764,732	2,520,268
Sale of capital assets	15,250	11,800	11,800	3,450
Total other financing sources	<u>6,300,250</u>	<u>3,776,532</u>	<u>3,776,532</u>	<u>2,523,718</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	607,931	40,862	(5,542,958)	6,150,889
<u>BALANCE</u> - Beginning of year	<u>22,958,330</u>	<u>13,170,084</u>	<u>22,958,330</u>	<u>-</u>
<u>BALANCE</u> - End of year	\$ <u>23,566,261</u>	\$ <u>13,210,946</u>	\$ <u>17,415,372</u>	\$ <u>6,150,889</u>

JOHNSON COUNTY, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 70,086,255	\$ (547,395)	\$ 69,538,860
Expenditures	<u>75,778,574</u>	<u>1,551,952</u>	<u>77,330,526</u>
Net	(5,692,319)	(2,099,347)	(7,791,666)
Other financing sources	6,300,250	2,562	6,302,812
Beginning fund balance	<u>22,958,330</u>	<u>(2,410,608)</u>	<u>20,547,722</u>
Ending fund balance	\$ <u>23,566,261</u>	\$ <u>(4,507,393)</u>	\$ <u>19,058,868</u>

JOHNSON COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$9,444,085. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

JOHNSON COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR
THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2009	July 1, 2008	\$ <u>-</u>	\$ <u>7,697,775</u>	\$ <u>7,697,775</u>	0.00%	\$ <u>19,902,352</u>	38.70%
2010	July 1, 2008	\$ <u>-</u>	\$ <u>7,697,775</u>	\$ <u>7,697,775</u>	0.00%	\$ <u>21,279,121</u>	36.18%
2011	July 1, 2010	\$ <u>-</u>	\$ <u>4,216,188</u>	\$ <u>4,216,188</u>	0.00%	\$ <u>21,084,632</u>	20.00%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

JOHNSON COUNTY, IOWA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 4,525,730	\$ 74,387	\$ 4,600,117
Receivables:			
Property tax:			
Delinquent	-	4,539	4,539
Succeeding year	-	3,028,327	3,028,327
Accounts	1,397	-	1,397
Accrued interest	<u>1,836</u>	<u>-</u>	<u>1,836</u>
TOTAL ASSETS	\$ <u>4,528,963</u>	\$ <u>3,107,253</u>	\$ <u>7,636,216</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 21,934	\$ -	\$ 21,934
Deferred revenue:			
Succeeding year property tax	-	3,028,327	3,028,327
Other	<u>66,000</u>	<u>3,799</u>	<u>69,799</u>
Total liabilities	<u>87,934</u>	<u>3,032,126</u>	<u>3,120,060</u>
 <u>FUND BALANCES:</u>			
Restricted	1,060,766	75,127	1,135,893
Committed	<u>3,380,263</u>	<u>-</u>	<u>3,380,263</u>
Total fund balances	<u>4,441,029</u>	<u>75,127</u>	<u>4,516,156</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>4,528,963</u>	\$ <u>3,107,253</u>	\$ <u>7,636,216</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue	Debt Service	Total
<u>REVENUES:</u>			
Property and other County tax	\$ -	\$ 3,612,578	\$ 3,612,578
Intergovernmental	540,577	53,127	593,704
Charges for service	31,826	-	31,826
Use of money and property	49,365	-	49,365
Miscellaneous	18,291	-	18,291
Total revenues	<u>640,059</u>	<u>3,665,705</u>	<u>4,305,764</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	41,236	-	41,236
Debt service:			
Principal	-	7,048,000	7,048,000
Interest	-	525,693	525,693
Capital projects	153,338	-	153,338
Total expenditures	<u>194,574</u>	<u>7,573,693</u>	<u>7,768,267</u>
Excess (deficiency) of revenues over (under) expenditures	445,485	(3,907,988)	(3,462,503)
Other financing sources:			
Transfers in	85,307	3,431,836	3,517,143
Total other financing sources	<u>85,307</u>	<u>3,431,836</u>	<u>3,517,143</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	530,792	(476,152)	54,640
<u>FUND BALANCES</u> - Beginning of year	<u>3,910,237</u>	<u>551,279</u>	<u>4,461,516</u>
<u>FUND BALANCES</u> - End of year	\$ <u>4,441,029</u>	\$ <u>75,127</u>	\$ <u>4,516,156</u>

JOHNSON COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Road Construction <u>Escrow</u>	Law Enforcement <u>Proceeds</u>	Special Resource <u>Enhancement</u>	Prosecutor Forfeiture <u>Proceeds</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ 3,436,038	\$ 110,644	\$ 698,646	\$ 19,390
Receivables:				
Accounts	-	1,114	-	233
Accrued interest	<u>1,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>3,437,874</u>	\$ <u>111,758</u>	\$ <u>698,646</u>	\$ <u>19,623</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ 4,333	\$ 3,755	\$ -
Deferred revenue:				
Other	<u>66,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>66,000</u>	<u>4,333</u>	<u>3,755</u>	<u>-</u>
<u>FUND BALANCES:</u>				
Fund balances:				
Restricted	-	107,425	694,891	19,623
Committed	<u>3,371,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,371,874</u>	<u>107,425</u>	<u>694,891</u>	<u>19,623</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,437,874</u>	\$ <u>111,758</u>	\$ <u>698,646</u>	\$ <u>19,623</u>

<u>Conservation Trust</u>	<u>Historical Preservation</u>	<u>Recorder's Records Management</u>	<u>Ambulance Fund</u>	<u>Courthouse Centenary Fund</u>	<u>Total</u>
\$ 159,619	\$ 1,569	\$ 93,004	\$ 3,514	\$ 3,306	\$ 4,525,730
50	-	-	-	-	1,397
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,836</u>
\$ <u>159,669</u>	\$ <u>1,569</u>	\$ <u>93,004</u>	\$ <u>3,514</u>	\$ <u>3,306</u>	\$ <u>4,528,963</u>
\$ 13,846	\$ -	\$ -	\$ -	\$ -	\$ 21,934
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,000</u>
<u>13,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,934</u>
145,823	-	93,004	-	-	1,060,766
<u>-</u>	<u>1,569</u>	<u>-</u>	<u>3,514</u>	<u>3,306</u>	<u>3,380,263</u>
<u>145,823</u>	<u>1,569</u>	<u>93,004</u>	<u>3,514</u>	<u>3,306</u>	<u>4,441,029</u>
\$ <u>159,669</u>	\$ <u>1,569</u>	\$ <u>93,004</u>	\$ <u>3,514</u>	\$ <u>3,306</u>	\$ <u>4,528,963</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	Road Construction <u>Escrow</u>	Law Enforcement <u>Proceeds</u>	Special Resource <u>Enhancement</u>
<u>REVENUES:</u>			
Intergovernmental	\$ -	\$ 34,096	\$ 506,481
Charges for service	-	-	-
Use of money and property	45,672	382	2,031
Miscellaneous	-	-	-
Total revenues	<u>45,672</u>	<u>34,478</u>	<u>508,512</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	-	34,331	-
Capital projects	-	-	17,456
Total expenditures	<u>-</u>	<u>34,331</u>	<u>17,456</u>
Excess (deficiency) of revenues over (under) expenditures	45,672	147	491,056
Other financing sources:			
Transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	45,672	147	491,056
<u>FUND BALANCES</u> - Beginning of year	<u>3,326,202</u>	<u>107,278</u>	<u>203,835</u>
<u>FUND BALANCES</u> - End of year	\$ <u>3,371,874</u>	\$ <u>107,425</u>	\$ <u>694,891</u>

<u>Prosecutor Forfeiture Proceeds</u>	<u>Conservation Trust</u>	<u>Historical Preservation</u>	<u>Recorder's Records Management</u>	<u>Ambulance Fund</u>	<u>Courthouse Centenary Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,577
-	-	-	31,826	-	-	31,826
-	880	-	369	16	15	49,365
<u>1,599</u>	<u>16,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,291</u>
<u>1,599</u>	<u>17,572</u>	<u>-</u>	<u>32,195</u>	<u>16</u>	<u>15</u>	<u>640,059</u>
6,905	-	-	-	-	-	41,236
-	<u>135,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,338</u>
<u>6,905</u>	<u>135,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,574</u>
(5,306)	(118,310)	-	32,195	16	15	445,485
-	<u>85,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,307</u>
-	<u>85,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,307</u>
(5,306)	(33,003)	-	32,195	16	15	530,792
<u>24,929</u>	<u>178,826</u>	<u>1,569</u>	<u>60,809</u>	<u>3,498</u>	<u>3,291</u>	<u>3,910,237</u>
\$ <u>19,623</u>	\$ <u>145,823</u>	\$ <u>1,569</u>	\$ <u>93,004</u>	\$ <u>3,514</u>	\$ <u>3,306</u>	\$ <u>4,441,029</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension</u>
Cash and pooled investments:			
County Treasurer	\$ -	\$ -	\$ 3,232
Other County officials	145,761	229,757	-
Receivables:			
Accounts receivable	1,468	-	-
Property tax:			
Delinquent	-	-	561
Succeeding year	-	-	470,500
Due from other governments	-	-	-
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>147,229</u>	\$ <u>229,757</u>	\$ <u>474,293</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Due to other governments	147,229	-	474,293
Trusts payable	-	229,757	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	\$ <u>147,229</u>	\$ <u>229,757</u>	\$ <u>474,293</u>

Schedule 5

<u>County</u> <u>Assessor</u>	<u>City</u> <u>Assessor</u>	<u>Emergency</u> <u>Management</u>	<u>Brucellosis and</u> <u>Tuberculosis</u> <u>Eradication</u>	<u>Schools</u>	<u>Community</u> <u>Colleges</u>
\$ 933,369	\$ 380,289	\$ 183,329	\$ 132	\$ 592,695	\$ 36,845
-	-	-	-	-	-
-	-	525	-	-	-
2,188	414	-	50	104,545	6,417
1,046,714	695,301	-	-	134,030,563	5,666,673
-	-	221	-	-	-
<u>6,443</u>	<u>2,802</u>	<u>810</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>1,988,714</u>	\$ <u>1,078,806</u>	\$ <u>184,885</u>	\$ <u>182</u>	\$ <u>134,727,803</u>	\$ <u>5,709,935</u>
\$ 130,647	\$ 1,844	\$ 27,543	\$ -	\$ -	\$ -
33,616	25,795	6,732	-	-	-
62,771	55,538	6,360	-	-	-
1,761,680	995,629	144,250	182	134,727,803	5,709,935
-	-	-	-	-	-
\$ <u>1,988,714</u>	\$ <u>1,078,806</u>	\$ <u>184,885</u>	\$ <u>182</u>	\$ <u>134,727,803</u>	\$ <u>5,709,935</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2011

<u>ASSETS</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
Cash and pooled investments:			
County Treasurer	\$ 566,532	\$ 6,672	\$ 8,986
Other County officials	-	-	-
Receivables:			
Accounts receivable	-	-	3,071
Property tax:			
Delinquent	75,543	1,605	-
Succeeding year	71,511,425	790,983	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
 TOTAL ASSETS	 \$ <u>72,153,500</u>	 \$ <u>799,260</u>	 \$ <u>12,057</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Due to other governments	72,153,500	799,260	12,057
Trusts payable	-	-	-
 TOTAL LIABILITIES	 \$ <u>72,153,500</u>	 \$ <u>799,260</u>	 \$ <u>12,057</u>

<u>E911 Surcharge</u>	<u>Auto License and Use Tax</u>	<u>Empowerment Board</u>	<u>Tax Sales</u>	<u>Total</u>
\$ 359,791	\$ 2,383,234	\$ 209,891	\$ 361,374	\$ 6,026,371
-	-	-	-	375,518
46,614	-	36,618	-	88,296
-	-	-	-	191,323
-	-	-	-	214,212,159
20,672	-	-	-	20,893
14	-	-	-	10,069
<u>\$ 427,091</u>	<u>\$ 2,383,234</u>	<u>\$ 246,509</u>	<u>\$ 361,374</u>	<u>\$ 220,924,629</u>
\$ 1,538	\$ -	\$ 159,535	\$ -	\$ 321,107
-	-	-	-	66,143
-	-	-	-	124,669
425,553	2,383,234	86,974	361,374	220,182,953
-	-	-	-	229,757
<u>\$ 427,091</u>	<u>\$ 2,383,234</u>	<u>\$ 246,509</u>	<u>\$ 361,374</u>	<u>\$ 220,924,629</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

<u>ASSETS AND LIABILITIES</u>	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u>-</u>	\$ <u>201,740</u>	\$ <u>248,221</u>
Additions:			
Property and other County tax and state tax credits	-	-	-
E911 surcharge	-	-	-
Office fees and collections	153,203	2,146,115	458,658
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	2,666,218
Miscellaneous	-	-	-
Total additions	<u>153,203</u>	<u>2,146,115</u>	<u>3,124,876</u>
Deductions:			
Agency remittances:			
To other funds	153,203	1,034,753	443,247
To other governments	-	1,165,873	15,411
Trusts paid out	-	-	2,684,682
Total deductions	<u>153,203</u>	<u>2,200,626</u>	<u>3,143,340</u>
Balances end of year	\$ <u>-</u>	\$ <u>147,229</u>	\$ <u>229,757</u>

<u>Agriculture Extension</u>	<u>County Assessor</u>	<u>City Assessor</u>	<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ <u>446,416</u>	\$ <u>1,845,252</u>	\$ <u>1,027,235</u>	\$ <u>398,602</u>	\$ <u>163</u>	\$ <u>129,471,555</u>	\$ <u>5,194,444</u>
479,484	1,066,971	698,416	6,293,471	60,737	88,553,972	5,680,114
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>479,484</u>	<u>1,066,971</u>	<u>698,416</u>	<u>6,293,471</u>	<u>60,737</u>	<u>88,553,972</u>	<u>5,680,114</u>
-	-	-	-	-	-	-
451,607	923,509	646,845	6,507,188	60,718	83,297,724	5,164,623
-	-	-	-	-	-	-
<u>451,607</u>	<u>923,509</u>	<u>646,845</u>	<u>6,507,188</u>	<u>60,718</u>	<u>83,297,724</u>	<u>5,164,623</u>
\$ <u>474,293</u>	\$ <u>1,988,714</u>	\$ <u>1,078,806</u>	\$ <u>184,885</u>	\$ <u>182</u>	\$ <u>134,727,803</u>	\$ <u>5,709,935</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

<u>ASSETS AND LIABILITIES</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
Balances beginning of year	\$ <u>69,828,809</u>	\$ <u>742,585</u>	\$ <u>169,396</u>
Additions:			
Property and other County tax and state tax credits	93,332,230	812,426	127,789
E911 surcharge	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>93,332,230</u>	<u>812,426</u>	<u>127,789</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	91,007,539	755,751	285,128
Trusts paid out	-	-	-
Total deductions	<u>91,007,539</u>	<u>755,751</u>	<u>285,128</u>
Balances end of year	\$ <u>72,153,500</u>	\$ <u>799,260</u>	\$ <u>12,057</u>

<u>E911 Surcharge</u>	<u>Auto License and Use Tax</u>	<u>Empowerment Board</u>	<u>Tax Sales</u>	<u>Flood Control</u>	<u>Total</u>
\$ <u>459,081</u>	\$ <u>2,271,526</u>	\$ <u>352,163</u>	\$ <u>284,606</u>	\$ <u>-</u>	\$ <u>212,941,794</u>
-	-	816,659	-	-	197,922,269
303,021	-	-	-	-	303,021
-	-	-	-	-	2,757,976
-	27,476,594	-	-	-	27,476,594
-	-	-	-	-	2,666,218
-	-	-	<u>3,251,135</u>	<u>38,598</u>	<u>3,289,733</u>
<u>303,021</u>	<u>27,476,594</u>	<u>816,659</u>	<u>3,251,135</u>	<u>38,598</u>	<u>234,415,811</u>
-	-	-	-	38,598	1,669,801
335,011	27,364,886	922,313	3,174,367	-	222,078,493
-	-	-	-	-	2,684,682
<u>335,011</u>	<u>27,364,886</u>	<u>922,313</u>	<u>3,174,367</u>	<u>38,598</u>	<u>226,432,976</u>
\$ <u>427,091</u>	\$ <u>2,383,234</u>	\$ <u>246,509</u>	\$ <u>361,374</u>	\$ <u>-</u>	\$ <u>220,924,629</u>

JOHNSON COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 42,807,106	\$ 41,076,815	\$ 39,070,345
Interest and penalty on property tax	395,959	490,122	324,254
Intergovernmental	20,933,586	21,216,527	21,999,336
Licenses and permits	505,578	489,658	490,984
Charges for service	3,785,002	3,581,173	3,480,681
Use of money and property	334,429	465,921	673,363
Miscellaneous	<u>777,200</u>	<u>1,019,237</u>	<u>780,778</u>
Total	\$ <u>69,538,860</u>	\$ <u>68,339,453</u>	\$ <u>66,819,741</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	\$ 19,737,412	\$ 25,319,933	\$ 25,195,898
Physical health and social services	8,121,773	8,498,353	7,686,737
Mental health	12,743,965	11,375,172	12,068,767
County environment and education	3,230,084	3,244,086	2,991,567
Roads and transportation	7,212,691	7,129,285	7,590,893
Governmental services to residents	1,892,552	1,934,739	2,051,121
Administration	6,564,119	6,465,719	6,264,547
Non-program	5,400	978	2,320
Debt service	8,007,726	6,382,036	5,115,773
Capital projects	<u>9,814,804</u>	<u>6,935,520</u>	<u>15,657,116</u>
Total	\$ <u>77,330,526</u>	\$ <u>77,285,821</u>	\$ <u>84,624,739</u>

Modified Accrual Basis						
2008	2007	2006	2005	2004	2003	2002
\$ 32,672,807	\$ 29,433,991	\$ 27,085,150	\$ 25,643,264	\$ 24,596,847	\$ 24,006,429	\$ 21,780,617
432,445	374,642	375,395	278,470	311,322	284,957	329,416
22,164,502	19,528,390	17,668,730	16,583,058	15,628,260	15,027,205	14,986,922
596,826	404,730	528,659	478,236	424,448	439,361	377,714
3,250,980	3,031,430	3,035,389	2,913,707	3,138,414	3,030,099	2,551,094
1,354,192	1,655,734	1,185,885	734,308	379,088	671,680	811,279
560,066	1,133,246	885,704	505,562	370,696	389,089	275,627
<u>\$ 61,031,818</u>	<u>\$ 55,562,163</u>	<u>\$ 50,764,912</u>	<u>\$ 47,136,605</u>	<u>\$ 44,849,075</u>	<u>\$ 43,848,820</u>	<u>\$ 41,112,669</u>
\$ 14,341,229	\$ 13,282,979	\$ 12,797,233	\$ 11,941,799	\$ 11,111,743	\$ 10,197,204	\$ 9,814,074
7,541,627	7,371,545	7,132,324	6,332,194	6,368,969	5,938,444	6,970,493
13,027,696	12,390,697	10,712,349	10,140,316	9,529,981	8,896,526	9,153,902
2,791,688	2,686,185	2,461,700	2,325,169	2,183,913	2,078,719	1,378,232
7,884,688	6,291,001	5,957,011	5,838,452	5,504,698	5,244,849	5,395,074
1,881,126	1,846,463	1,716,886	1,722,204	1,602,117	1,600,354	1,398,147
5,803,518	5,959,893	5,374,237	5,168,099	4,705,144	4,847,683	4,086,067
2,400	-	600	600	11,816	600	600
792,902	811,802	-	3,995,146	3,617,328	9,198,554	160,000
8,312,991	3,310,759	6,491,702	1,449,068	2,411,700	2,138,624	3,873,079
<u>\$ 62,379,865</u>	<u>\$ 53,951,324</u>	<u>\$ 52,644,042</u>	<u>\$ 48,913,047</u>	<u>\$ 47,047,409</u>	<u>\$ 50,141,557</u>	<u>\$ 42,229,668</u>

JOHNSON COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>DIRECT:</u>		
Department of Interior:		
Payments in Lieu of Taxes	15.226	\$ 58,950
Department of Justice:		
State Criminal Alien Assistance Program	16.606	<u>30,139</u>
Total Direct		<u>89,089</u>
<u>INDIRECT:</u>		
Department of Agriculture:		
Iowa Department of Public Health:		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	617,684
Department of Defense:		
Iowa State Treasurer's Office:		
Payments to States in Lieu of Real Estate Taxes	12.112	51,464
Department of Health and Human Services:		
Genesis Health System:		
Public Health Emergency Preparedness	93.069	3,400
Iowa Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	35,421
Promoting Safe and Stable Families	93.556	71,740
Temporary Assistance for Needy Families	93.558	9,900
Child Support Enforcement	93.563	214,852
Refugee and Entrant Assistance - State Administered Programs	93.566	23
Child Care and Development Block Grant	93.575	170,153
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	8,659
Foster Care - Title IV-E	93.658	14,030
Adoption Assistance	93.659	3,398
Social Services Block Grant	93.667	783,931
ARRA - Child Care and Development Block Grant	93.713	6,691
Children's Health Insurance Program	93.767	162
Medical Assistance Program	93.778	33,969
Iowa Department of Public Health:		
Public Health Emergency Preparedness Grant	93.069	167,506
Immunization Grants	93.268	13,574
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	11,864
ARRA - Immunization	93.712	13,123

JOHNSON COUNTY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>INDIRECT: (Continued)</u>		
Department of Health and Human Services: (Continued)		
Iowa Department of Public Health: (Continued)		
HIV Prevention Activities - Health Department Based	93.940	65,960
Maternal and Child Health Services Block Grant to States	93.994	59,300
Linn County Community Services:		
Block Grants for Community Mental Health Services	93.958	22,175
National Association of County and City Health Officials:		
Medical Reserve Corps Small Grant Program	93.008	5,000
Department of Homeland Security:		
Iowa Homeland Security and Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	247,104
Hazard Mitigation Grant	97.039	1,088,326
Emergency Management Performance Grants	97.042	39,000
United Way of America:		
Emergency Food and Shelter National Board Program	97.024	2,410
Department of Housing and Urban Development:		
Iowa Department of Economic Development:		
Community Development Block Grants/State's Program	14.228	1,265,453
Department of the Interior:		
Iowa Department of Natural Resources:		
Sportfish Restoration Program	15.605	2,000
Department of Justice		
City of Iowa City:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	29,971
ARRA - Edward Bryne Memorial Justice Assistance Grant	16.803	58,788
Department of Transportation:		
East Central Iowa Council of Governments:		
Formula Grants for Other Than Urbanized Areas	20.509	47,014
Iowa Department of Public Safety:		
State and Community Highway Safety	20.600	15,212
Iowa Department of Transportation:		
Highway Planning and Construction	20.205	354,072
Iowa Homeland Securtly and Emergency Management:		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	3,892
Total Indirect		<u>5,537,221</u>
Total		<u>\$ 5,626,310</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Johnson County, Iowa and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

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April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Johnson County, Iowa:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Johnson County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated June 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnson County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Johnson County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Johnson County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 11-II-A to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Johnson County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Johnson County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Johnson County, Iowa and other parties to whom Johnson County, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Johnson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

A handwritten signature in cursive script that reads "Anderson, Larkin & Co. P.C." followed by a period.

Ottumwa, Iowa
June 20, 2012



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Officials of Johnson County, Iowa

Compliance

We have audited Johnson County, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Johnson County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Johnson County, Iowa's management. Our responsibility is to express an opinion on Johnson County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Johnson County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Johnson County, Iowa's compliance with those requirements.

In our opinion, Johnson County, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of Johnson County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Johnson County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Johnson County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

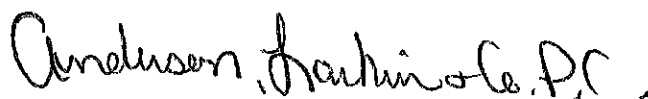
A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Johnson County, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Johnson County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Johnson County, Iowa and other parties to whom Johnson County, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

A handwritten signature in cursive script that reads "Anderson, Larkin & Co. P.C." followed by a small flourish.

Ottumwa, Iowa
June 20, 2012

JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Numbers:
 - 20.205 Highway Planning and Construction
 - 10.557 Special Supplemental Nutrition Program for Woman, Infants and Children
 - 93.667 Social Services Block Grant
 - 97.039 Hazard Mitigation Grant
 - 14.228 Community Development Block Grants/State's Program
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Johnson County, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- 11-II-A Financial Reporting – Subsequent to the issuance of the financial statements for the year ended June 30, 2010, it was determined that the County's had mistakenly capitalized an asset related to land at the wrong amount. This item is discussed in Note 15 of the current year financial statements.

Recommendation – Procedures should be implemented to ensure that all capital assets are correctly reported in the future.

Response – We have implemented procedures to ensure that County departments correctly report capital asset information in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting

- 11-IV-A Certified Budget – Disbursements for the year ended June 30, 2011 did not exceed the amounts budgeted. During the year ended June 30, 2011, the County attempted to amend their budget twice, which were later determined to be invalid due to proper budget amendment procedures not being followed. As a result of this, the County exceeded several budget function amounts prior to the budget being properly amended later in the fiscal year.

Recommendation – The County should follow the Code of Iowa when amending future budgets.

Response – We will do so from now on.

Conclusion – Response accepted.

- 11-IV-B Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 11-IV-D Business Transactions – No business transactions between the County and County officials or employees were noted.
- 11-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 11-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 11-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 11-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 11-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

- 11-IV-J Financial Condition – The Mental Health Fund had a deficit balance at June 30, 2011.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The deficit balance was due to the State of Iowa's diminished funding/appropriations available to counties and the fact that in order to qualify for FY12 funding, Johnson County had to rebate \$1,021,500 to the State of Iowa for the "overage" amount of its FY10 Mental Health Fund balance. The County plans to apply for Transition Funds per legislation that is subject to decisions by the next legislative session in 2013.

Conclusion – Response accepted.